

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

| | | |
|-----------------------------------|---|---|
| In re |) | PROMESA |
| |) | Title III |
| |) | |
| THE FINANCIAL OVERSIGHT AND |) | No. 17 BK 3283-LTS |
| MANAGEMENT BOARD FOR PUERTO RICO, |) | |
| |) | (Jointly Administered) |
| |) | |
| As a representative of |) | Re: ECF No. 1416 |
| |) | |
| THE COMMONWEALTH OF PUERTO RICO |) | Hearing date: April 25, 2018 at 9:30 a.m. |
| et al., |) | (Atlantic Standard Time) |
| |) | |
| Debtors. ¹ |) | |
| |) | |

**FEE EXAMINER'S SUPPLEMENTAL REPORT AND INFORMATIVE MOTION
ON UNCONTESTED FEE APPLICATIONS FOR THE FIRST INTERIM
COMPENSATION PERIOD (MAY 3-SEPTEMBER 30, 2017)
RECOMMENDED FOR COURT APPROVAL AT OR BEFORE
THE OMNIBUS HEARING ON APRIL 25, 2018 AT 9:30 A.M. (AST)**

TO: HON. LAURA TAYLOR SWAIN,
UNITED STATES DISTRICT JUDGE

SUPPLEMENTAL REPORT

On March 1, 2018, the Fee Examiner filed the *Fee Examiner's Initial Report*:

I. Summary of Uncontested Fee Applications for the First Interim Compensation period

(May 30-September 30, 2017) Recommended for Hearing and Court Approval at the Omnibus

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the: (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and, (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

Hearing on March 7, 2018 at 9:30 a.m. (AST); and II. Notice of Deferral of Ten First Interim Fee applications for Consideration at the April 25, 2018 Omnibus Hearing or a Later Date [Dkt. No. 2645] (the “Initial Report”). It recommended the approval of 30 interim fee applications for the First Interim Fee Period (May 3-September 30, 2017) and notified the Court, the parties and the public of the deferral of ten First Interim Fee Period applications for consideration at the April 25, 2018 omnibus hearing or a later date (the “Deferred First Interim Fee Applications”), now set for New York.

On March 7, 2018, the Court held a hearing and entered the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the First Interim Compensation Period from May 3 Through September 30, 2017* [Dkt. No. 2685]. This supplement (the “Supplemental Report”) recommends for approval, on an uncontested basis, four of the Deferred First Interim Fee Applications as set forth in detail on the attached **Exhibit A**. The remaining six Deferred First Interim Fee Applications will, with the continued consent of the applicants and the Fee Examiner and with the Court’s permission, be deferred for consideration to the June 6, 2018 omnibus hearing or a later date.

The fee review process and findings outlined in the Initial Report apply with equal force to the four Deferred Applications now recommended for Court approval, as adjusted. These include:

1. *Amended First Interim Fee Application of Ankura Consulting Group, LLC for Compensation for Services Rendered and Reimbursement of Expenses as Financial Advisors to Puerto Rico Electric Power Authority (“PREPA”) for the Period July 2, 2017 Through September 30, 2017* [Dkt. No. 2142].
2. *Amended First Interim Fee Application of Ankura Consulting Group, LLC for Compensation for Services Rendered and Reimbursement of Expenses as Financial Advisors to the Commonwealth of Puerto Rico for the Period June 1, 2017 Through September 30, 2017* [Dkt. No. 2148].

With these two applications, Ankura, as financial advisor to PREPA and to the Commonwealth, requested a total of \$4,222,006.50 in fees and \$193,107.86 in expenses. The Fee Examiner identified certain non-compensable billing tasks, some vague time entries, several instances of double billing, and some tasks recorded in an increment other than a tenth of an hour. The Fee Examiner also sought documentation for most of Ankura's travel expenses. Ankura provided the missing expense documentation and either provided adequate explanation for—or agreed to reductions with respect to—each of the identified billing deficiencies. The Fee Examiner recommends the Court's approval of both Ankura fee applications, as adjusted and set forth on the attached **Exhibit A**.

3. *First Interim Fee Application of Andrew Wolfe for Compensation for Services Rendered and Reimbursement of Expenses Incurred as an Independent Contractor to the Financial Oversight and Management Board for Puerto Rico, as Representative of the Debtors, for the Period August 1, 2107 Through September 30, 2017* [Dkt. No. 2259].

Mr. Wolfe serves as economic consultant to the Financial Oversight and Management Board, as Representative of the Debtors, providing services at a flat monthly rate of \$25,000. The Fee Examiner reviewed Mr. Wolfe's engagement agreements and work records, identifying a few travel expenses that exceeded applicable maximums imposed for these cases. Mr. Wolfe has agreed to the adjustment of his expense request. The Fee Examiner recommends the Court's approval of Mr. Wolfe's flat fees, without adjustment, as set forth on the attached **Exhibit A**.

4. *First Interim Application of O'Neill & Borges LLC for Allowance of Compensation for Services Rendered and Reimbursement of Expenses Incurred as Attorneys to the Financial Oversight and Management Board for Puerto Rico, as Representative of Debtors, for the Period of May 3, 2017 Through September 30, 2017* [Dkt. No. 2075].

O'Neill & Borges serves as Puerto Rico counsel for the Financial Oversight and Management Board, as Representative of the Debtors. O'Neill & Borges requested \$289,691.55 in fees and \$20,863.50 in expense reimbursements. The Fee Examiner identified several minor

billing errors and expenses that exceeded applicable caps. O'Neill & Borges either accepted recommended reductions or provided adequate explanatory information to address the Fee Examiner's concerns. The Fee Examiner now recommends Court approval of this application, as adjusted and outlined on the attached **Exhibit A**.

INFORMATIVE MOTION

Pursuant to the *Order Relocating the April 25, 2018 Omnibus Hearing* [Dkt. No. 2886], the Fee Examiner notifies the Court that:

1. Pursuant to the Interim Compensation Order, the Court may grant an Interim Fee Application without a hearing if the Fee Examiner files a Fee Examiner Report recommending approval of the Interim Fee Application(s) in full or in part, and there are no objections from a party in interest. *Interim Compensation Order* at ¶ 2(j).

2. The Fee Examiner and his counsel, Katherine Stadler of Godfrey & Kahn, S.C., may appear in person if necessary to respond to any matters raised by the Court or to any statements made by any party in connection with this Supplemental Report in Courtroom 17C of the United States District Court for the Southern District of New York, Daniel Patrick Moynihan Courthouse, 500 Pearl Street, New York, New York 10007. No additional persons representing the Fee Examiner will attend the hearing.

3. The Fee Examiner's Puerto Rico counsel, Eyck O. Lugo, may appear at the United States District Court for the District of Puerto Rico, 150 Carlos Chardón Street, Federal Building, San Juan, Puerto Rico 00918-1767, as the *pro hac vice* sponsor of the Fee Examiner and his counsel to participate in any hearing on the Deferred First Interim Fee Period applications recommended in this Report.

4. Attached to this Supplemental Report as **Exhibit B** is a proposed *Supplemental Omnibus Order Awarding Interim Allowance of Compensation for Professional Services*

Rendered and Reimbursement of Expenses for the First Interim Compensation Period from May 3 Through September 30, 2017, which has been circulated to all of the retained professionals with applications recommended in this Supplemental Report.

5. In the event that the Court enters the proposed order attached hereto as **Exhibit B** prior to April 25, 2018, the Fee Examiner and his counsel will not plan to attend the hearing in person or by videoconference from Puerto Rico unless their attendance and participation is requested by the Court.

Dated: April 16, 2018.

WE HEREBY CERTIFY that on this date, we electronically filed the foregoing motion with the Clerk of the Court using the CM/ECF system that will send notification of such filing to all attorneys of record registered in the use of the CM/ECF system.

EDGE LEGAL STRATEGIES, PSC

s/Eyck O. Lugo
Eyck O. Lugo
252 Ponce de León Avenue
Citibank Tower, 12th Floor
San Juan, PR 00918
Telephone: (787) 522-2000
Facsimile: (787) 522-2010

Puerto Rico Counsel for Fee Examiner

GODFREY & KAHN, S.C.
One East Main Street, Suite 500
Madison, WI 53703
Telephone: (608) 257-3911
Facsimile: (608) 257-0609

Brady Williamson (*Pro Hac Vice*)
Fee Examiner

Katherine Stadler (*Pro Hac Vice*)
Counsel for the Fee Examiner

EXHIBIT A

First Interim Fee Period Uncontested

| | Applicant | Compensation Period | Interim Fees Requested | Fee Examiner's Recommended Fee Adjustments | Interim Expenses Requested | Fee Examiner's Recommended Expense Adjustments | Voluntary Discounts | Interim Fees Recommended for Approval | Interim Expenses Recommended for Approval |
|--------------------------|---|----------------------|------------------------|--|----------------------------|--|---------------------|---------------------------------------|---|
| | <i>Bankruptcy Counsel to Debtors</i> | | | | | | | | |
| 1 | O'Neill & Borges LLC [Dkt. No. 2075] | 5/3/2017 - 9/30/2017 | \$ 289,691.55 | \$ 280.00 | \$ 20,863.50 | \$ 5,348.00 | yes | \$ 289,411.55 | \$ 15,515.50 |
| | <i>Independent Contractor to Debtors</i> | | | | | | | | |
| 2 | Andrew Wolfe [Dkt. No. 2259] | 8/1/2017 - 9/30/2017 | \$ 50,000.00 | \$ - | \$ 7,526.14 | \$ 158.28 | no | \$ 50,000.00 | \$ 7,367.86 |
| | <i>Financial Advisors to the Puerto Rico Fiscal Agency and Financial Advisory Authority</i> | | | | | | | | |
| 3-a | Ankura Consulting Group, LLC [Dkt. No. 2148] | 6/1/2017 - 9/30/2017 | \$ 1,961,754.00 | \$ 35,983.64 | \$ 63,804.29 | \$ - | no | \$ 1,925,770.36 | \$ 63,804.29 |
| | <i>Financial Advisors to PREPA</i> | | | | | | | | |
| 3-b | Ankura Consulting Group, LLC [Dkt. No. 2142] | 7/2/2017 - 9/30/2017 | \$ 2,260,252.50 | \$ 35,983.64 | \$ 129,303.57 | \$ - | no | \$ 2,224,268.86 | \$ 129,303.57 |
| Totals Unresolved | | | \$ 4,561,698.05 | \$ 72,247.28 | \$ 221,497.50 | \$ 5,506.28 | \$ - | \$ 4,489,450.77 | \$ 215,991.22 |

EXHIBIT B

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

| | | |
|--|---|--|
| In re |) | PROMESA |
| |) | Title III |
| |) | |
| THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, |) | No. 17 BK 3283-LTS |
| |) | |
| |) | (Jointly Administered) |
| |) | |
| As a representative of |) | Re: Dkt. Nos. 2075, 2259, 2148, and 2142 |
| |) | |
| THE COMMONWEALTH OF PUERTO RICO <i>et al.</i>, |) | Hearing date: April 25, 2018 at 9:30 a.m. (Atlantic Standard Time) |
| |) | |
| Debtors.¹ |) | |
| |) | |

**OMNIBUS ORDER AWARDING INTERIM ALLOWANCE OF COMPENSATION FOR
PROFESSIONAL SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES
FOR THE FIRST INTERIM COMPENSATION PERIOD
FROM MAY 3 THROUGH SEPTEMBER 30, 2017**

This matter coming before the Court on the interim fee applications (together Dkt. Nos. 2075, 2259, 2148, and 2142, the (“**Applications**”)) indicated as “Recommended for Approval” on the attached **Exhibit A**, pursuant to sections 316 and 317 of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), Pub. L. No. 114-187, §§ 316, 317, 130 Stat., 549, 584-85 (2016), and Rule 2016 of the Local Rules of Bankruptcy Practice and Procedure of the U.S. Bankruptcy Court for the District of Puerto Rico, for the

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the: (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and, (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

interim allowance of certain fees, including all holdbacks and expenses incurred by the Applicants for the specific period of time set forth in each of the Applications (the “**Compensation Period**”); filed in accordance with the *Order Setting Procedures for Interim Compensation and Reimbursement of Expenses for Professionals* [Dkt. No. 1150] (the “**Interim Compensation Order**”); the *First Amended Order Setting Procedures of Interim Compensation and Reimbursement of Expenses of Professionals* [Dkt. No. 1715] (the “**First Amended Interim Compensation Order**”); and the *Order Pursuant to PROMESA Sections 316 and 317 and Bankruptcy Code Section 105(A) Appointing a Fee Examiner and Related Relief* [Dkt. No. 1416] (the “**Fee Examiner Order**”); and the Court having reviewed the Applications and/or the supplemental report filed by the Fee Examiner with respect to the Applications [*see* Dkt. No. ____]; and the Court finding that: (a) the Court has jurisdiction over this matter pursuant to PROMESA section 306(a); and (b) notice of the Applications and the hearing thereon being adequate under the circumstances; and (c) all parties with notice of the Applications having been afforded the opportunity to be heard on the Applications, and no objections having been filed; now therefore

IT IS HEREBY ORDERED THAT:

1. The Applications are GRANTED on an interim basis, to the extent set forth on the attached **Exhibit A**.
2. Each of the Applicants is allowed (a) interim compensation for services rendered during the Compensation Period and (b) interim reimbursement for actual and necessary expenses incurred during the Compensation Period, each in the respective amounts set forth on the attached **Exhibit A**, including, except as otherwise indicated, any and all holdbacks.

3. To the extent not already paid pursuant to the Interim Compensation Order, the Debtors are hereby authorized and directed to pay, except as otherwise indicated on **Exhibit A**, each of the Applicants 100 percent of the fees and 100 percent of the expenses listed on **Exhibit A** under the columns “Interim Fees Recommended for Approval” and “Interim Expenses Recommended for Approval,” respectively, for services rendered and expenses incurred during the Compensation Period.

4. Pursuant to the Fee Examiner’s supplemental report, the first interim fee applications of Proskauer Rose LLP, and McKinsey & Company, Inc., [Dkt. Nos. 2068, 2043, 2045, 2053, 2066, 2073] remain adjourned for consideration at a later hearing date.

SO ORDERED.

Dated: April ____, 2018

LAURA TAYLOR SWAIN
United States District Judge

18793137.2

EXHIBIT A

First Interim Fee Period Uncontested

| | Applicant | Compensation Period | Interim Fees Requested | Fee Examiner's Recommended Fee Adjustments | Interim Expenses Requested | Fee Examiner's Recommended Expense Adjustments | Voluntary Discounts | Interim Fees Recommended for Approval | Interim Expenses Recommended for Approval |
|--------------------------|---|----------------------|------------------------|--|----------------------------|--|---------------------|---------------------------------------|---|
| | <i>Bankruptcy Counsel to Debtors</i> | | | | | | | | |
| 1 | O'Neill & Borges LLC [Dkt. No. 2075] | 5/3/2017 - 9/30/2017 | \$ 289,691.55 | \$ 280.00 | \$ 20,863.50 | \$ 5,348.00 | yes | \$ 289,411.55 | \$ 15,515.50 |
| | <i>Independent Contractor to Debtors</i> | | | | | | | | |
| 2 | Andrew Wolfe [Dkt. No. 2259] | 8/1/2017 - 9/30/2017 | \$ 50,000.00 | \$ - | \$ 7,526.14 | \$ 158.28 | no | \$ 50,000.00 | \$ 7,367.86 |
| | <i>Financial Advisors to the Puerto Rico Fiscal Agency and Financial Advisory Authority</i> | | | | | | | | |
| 3-a | Ankura Consulting Group, LLC [Dkt. No. 2148] | 6/1/2017 - 9/30/2017 | \$ 1,961,754.00 | \$ 35,983.64 | \$ 63,804.29 | \$ - | no | \$ 1,925,770.36 | \$ 63,804.29 |
| | <i>Financial Advisors to PREPA</i> | | | | | | | | |
| 3-b | Ankura Consulting Group, LLC [Dkt. No. 2142] | 7/2/2017 - 9/30/2017 | \$ 2,260,252.50 | \$ 35,983.64 | \$ 129,303.57 | \$ - | no | \$ 2,224,268.86 | \$ 129,303.57 |
| Totals Unresolved | | | \$ 4,561,698.05 | \$ 72,247.28 | \$ 221,497.50 | \$ 5,506.28 | \$ - | \$ 4,489,450.77 | \$ 215,991.22 |